# CATTLE MARKETING DEDUCTIONS FUND

## FINANCIAL STATEMENTS

For the Year Ended March 31, 2003

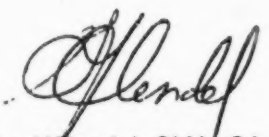
## AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Cattle Marketing Deductions Fund as at March 31, 2003 and the statements of revenues, expenditures and net financial assets, and cash flows for the year then ended. The Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
June 27, 2003

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

## CATTLE MARKETING DEDUCTIONS FUND
## STATEMENT OF FINANCIAL POSITION
**As at March 31**

103-06597/

| | Provincial Account | | National Account | | Total | |
|---|---|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| **Financial Assets** | | | | | | |
| Due from General Revenue Fund (Note 7) | $ 3,961,450 | $ 3,552,127 | $ 1,166,348 | $ 385,241 | $ 5,127,798 | $ 3,937,368 |
| Accounts receivable (Note 8) | 150,897 | 167,287 | 155,529 | 172,435 | 306,426 | 339,722 |
| Accrued interest receivable | 33,169 | 19,727 | --- | --- | 33,169 | 19,727 |
| | $ 4,145,516 | $ 3,739,141 | $ 1,321,877 | $ 557,676 | $ 5,467,393 | $ 4,296,817 |
| **Liabilities** | | | | | | |
| Grants payable | $ 49,054 | $ 58,952 | $ 1,166,348 | $ 385,241 | $ 1,215,402 | $ 444,193 |
| Accounts payable | 44,742 | 47,622 | --- | --- | 44,742 | 47,622 |
| | 93,796 | 106,574 | 1,166,348 | 385,241 | 1,260,144 | 491,815 |
| **Net financial assets** (Statement 2) | $ 4,051,720 | $ 3,632,567 | $ 155,529 | $ 172,435 | $ 4,207,249 | $ 3,805,002 |

(See accompanying notes to the financial statements)

## CATTLE MARKETING DEDUCTIONS FUND
## STATEMENT OF REVENUES, EXPENDITURES AND NET FINANCIAL ASSETS
### Year Ended March 31

| | Budget | Provincial Account | | National Account | | Total | |
|---|---|---|---|---|---|---|---|
| | 2003 (Note 5) | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| **Revenues** | | | | | | | |
| Deductions (Note 1) | $ 1,339,000 | $ 1,502,602 | $ 1,521,971 | $ 1,502,602 | $ 1,521,960 | $ 3,005,204 | $ 3,043,931 |
| Less: Commissions | 39,000 | 44,138 | 44,684 | --- | --- | 44,138 | 44,684 |
| Refund of deductions | 115,000 | 96,736 | 111,609 | --- | --- | 96,736 | 111,609 |
| Net deductions | 1,185,000 | 1,361,728 | 1,365,678 | 1,502,602 | 1,521,960 | 2,864,330 | 2,887,638 |
| Interest (Note 7) | 85,000 | 110,525 | 114,621 | --- | --- | 110,525 | 114,621 |
| Refund of grants | --- | 48,425 | --- | --- | --- | 48,425 | --- |
| Total revenue | 1,270,000 | 1,520,678 | 1,480,299 | 1,502,602 | 1,521,960 | 3,023,280 | 3,002,259 |
| **Expenditures** | | | | | | | |
| Grants | 800,000 | 1,067,570 | 818,150 | 1,504,466 | 1,548,758 | 2,572,036 | 2,366,908 |
| Administration (Note 3) | 16,000 | 15,000 | 15,000 | --- | --- | 15,000 | 15,000 |
| Advisory committee honoraria and travel | 2,500 | 4,364 | 2,860 | --- | --- | 4,364 | 2,860 |
| Bad debts (Note 8) | --- | 14,591 | --- | 15,042 | --- | 29,633 | --- |
| Total expenditures | 818,500 | 1,101,525 | 836,010 | 1,519,508 | 1,548,758 | 2,621,033 | 2,384,768 |
| Surplus (deficit) for the year | $ 451,500 | 419,153 | 644,289 | (16,906) | (26,798) | 402,247 | 617,491 |
| Net financial assets, beginning of year | | 3,632,567 | 2,988,278 | 172,435 | 199,233 | 3,805,002 | 3,187,511 |
| Net financial assets, end of year (Statement 1) | | $ 4,051,720 | $ 3,632,567 | $ 155,529 | $ 172,435 | $ 4,207,249 | $3,805,002 |

(See accompanying notes to the financial statements)

# CATTLE MARKETING DEDUCTIONS FUND
## STATEMENT OF CASH FLOWS
### Year Ended March 31

| | 2003 | 2002 |
|---|---|---|
| Cash flows from (used in) operating activities: | | |
| Receipts from deductions | $ 2,964,729 | $ 3,066,774 |
| Grant refunds received | 48,425 | --- |
| Interest received | 97,083 | 139,796 |
| Payments to suppliers | (18,927) | (18,576) |
| Grant payments | (1,800,828) | (2,334,519) |
| Refunds paid | (100,052) | (114,763) |
| Cash flows from operating activities | 1,190,430 | 738,712 |
| Net increase in cash and cash equivalents | 1,190,430 | 738,712 |
| Due from General Revenue Fund, beginning of year | 3,937,368 | 3,198,656 |
| Due from General Revenue Fund, end of year | $ 5,127,798 | $ 3,937,368 |

(See accompanying notes to the financial statements)

**CATTLE MARKETING DEDUCTIONS FUND**
**NOTES TO THE FINANCIAL STATEMENTS**
**March 31, 2003**

## 1. Legislative Authority

The Cattle Marketing Deductions Fund (Fund) was established under *The Cattle Marketing Deductions Act* and continues under *The Cattle Marketing Deductions Act, 1998* (Act). The Act established two accounts, the Provincial Account and the National Account.

The purpose of the Provincial Account is to fund programs, projects, and policies related to the development, improvement and promotion of the cattle industry and to pay expenses incurred in the administration of the Act.

The purpose of the National Account is to provide grants to promotion-research agencies established pursuant to the *Farm Products Agencies Act* (Canada) for the development, expansion, and promotion of the cattle industry. *The Cattle Marketing Deductions Act, 1998* (Act) also allows the Minister of Agriculture, Food and Rural Revitalization to provide grants for promotion and research to organizations that represent the national interests of the cattle industry. The Department of Agriculture, Food and Rural Revitalization negotiated agreements with organizations that represent the national interests of the cattle industry to provide grants for promotion and research out of the National Account.

The Fund has an Advisory Committee, appointed by the Minister of Agriculture, Food and Rural Revitalization, that approves the payment of all grants.

Pursuant to subsection 3 of *The Cattle Marketing Deductions Regulations, 1998*, dealers deduct $2.00 per head from the proceeds for cattle sold. The National Account receives $1.00 a head without any deduction for the dealer's commission. The Provincial Account receives $1.00 a head less the dealer's commission of $0.03 per head.

Section 12 of the Act provides for the refund of deductions received by the Provincial Account. Any person may claim a refund of deductions for a calendar year by filing a claim by January 31 of the following year.

## 2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant.

a) Revenue

Deductions revenue and related commissions are recognized when the cattle are sold.

b) Grants

Grants are recorded as expenditures when approved and when the eligibility criteria, if any, have been met by the recipient.

c) Grant refunds

Occasionally, grant recipients voluntarily return unused grant funds. Grant refunds are recorded as revenue when they are received back from the recipient.

## 3. Related Party Transactions

These financial statements include transactions with related parties. The Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

The Fund made grants totalling $702,250 (2002 - $466,560) to the University of Saskatchewan.

The Fund made a grant of $41,010 (2002 - $nil) to the Prairie Agricultural Machinery Institute (PAMI).

The Livestock Services Revolving Fund provided administrative services to the Fund for an annual fee of $15,000 (2002 - $15,000).

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

## 4. Commitments

At year end, the Fund's Advisory Committee had approved grants from the Provincial Account totalling $697,151 (2002 - $857,838) for projects in the following years.

| | |
|---|---|
| 2004 | $681,551 |
| 2005 | $ 15,600 |

Included in these amounts are $461,597 and $15,600 committed to the University of Saskatchewan for 2004 and 2005 respectively.

Also, the Fund is committed to pay all moneys collected for the National Account in 2004 to promotion and research agencies that represent the national interests of the cattle industry.

## 5. 2003 Budget

The Advisory Committee approved the 2003 budget for the Provincial Account on January 25, 2002.

## 6. Financial Instruments

Accounts receivable, accrued interest receivable, grants payable, and accounts payable are non-interest bearing and are due or payable within the next year. Due from General Revenue Fund is interest bearing and due within the next year. Due to this short-term maturity, the fair values of these instruments approximate their carrying values.

The Fund is exposed to credit risk from potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year-end.

## 7. Due from General Revenue Fund

The Fund's money is held in the General Revenue Fund. Interest is calculated on the Fund's daily balance using the Government's thirty-day borrowing rate and is credited to the Provincial Account on a quarterly basis. The Government's average thirty-day borrowing rate for 2003 was 2.62% (2002 - 3.41%).

## 8. Accounts receivable

Accounts receivable are recorded net of an allowance for bad debts. During the year, the Fund recorded an allowance and bad debt expense for $29,633 relating to amounts owing to the Fund from livestock dealers where collection is doubtful.

**CATTLE MARKETING DEDUCTIONS FUND**
**DETAILED LIST OF EXPENDITURES (UNAUDITED)**
**Year Ended March 31**

| | 2003 | 2002 |
|---|---|---|
| Personal Services | | |
| Payees under $2,500 | $ 1,545 | $ 1,080 |
| Travel | | |
| Other | 2,818 | 1,780 |
| Grants | | |
| Canadian Cattlemen's Association: | | |
| National Beef Information Centre | 786,045 | 929,255 |
| Beef Cattle Research Council | 150,447 | 154,876 |
| Operating Expenses | 196,216 | 183,009 |
| University of Saskatchewan: | | |
| Veterinary Infectious Disease Organization | 180,000 | 180,000 |
| Project Funding | 334,000 | 60,000 |
| Western Beef Development Centre | 188,250 | 226,560 |
| Canada Beef Export Federation | 567,973 | 489,627 |
| Saskatchewan Beef Information Centre | 0 | 48,500 |
| Farm Animal Council of Saskatchewan | 5,000 | 5,000 |
| Saskatchewan Cattle Feeders' Association | 12,667 | 29,400 |
| Saskatchewan Stock Growers' Association | 56,667 | 45,500 |
| Semiarid Prairie Agricultural Research Centre | 15,958 | 15,181 |
| PAMI | 41,010 | 0 |
| Saskatchewan Livestock Association | 4,000 | 0 |
| Saskatchewan Society for Prevention of Cruelty to Animals | 26,603 | 0 |
| Saskatchewan Beef Quality Starts Here Program | 7,200 | 0 |
| | 2,572,036 | 2,366,908 |
| Supplier Payments | | |
| Payees under $20,000 | 44,634 | 15,000 |
| Total | $ 2,621,033 | $ 2,384,768 |